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C O N F I D E N T I A L SECTION 01 OF 02 DJIBOUTI 001443

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SUBJECT: PROGRESS CONTINUES AT DORALEH PORT

Classified By: AMBASSADOR MARGUERITA D. RAGSDALE.
REASONS 1.4 (B) AND (D)

1. (C) Summary: Ambassador and Pol/Econoff visited the construction site of the new port facility at Doraleh on November 8 to track progress and obtain an update from the port's project manager K.K. Menon of Emirates National Oil Company (ENOC). Ambassador's last visit had taken place in July. Doraleh's construction schedule has remained, for the most part, on time and completion should be on schedule, according to Menon. Menon and Ambassador discussed ENOC's contract with Defense Energy Support Center (DESC) for fuel tanks for use by the U.S. Navy, DESC tracking of port construction, and the assessment that DESC may be interested in leasing an additional four tanks to meet U.S. military needs. Menon also noted progress made on the road connecting the new port of Doraleh to the city of Djibouti and the main route to Ethiopia. The new port is still considered by Djibouti's government to be the country's gateway toward becoming a Dubai in the Horn of Africa region. End summary.

Pylon Needs Have Changed

2. (U) The new port facility at Doraleh is coming along well. Progress has been hampered slightly by difficulties with a soft sea floor and pylon construction. Project Manager K.K. Menon of Emirates National Oil Company (ENOC) said in the initial survey of the sea terrain, the depth to reach hard earth on the sea's floor was 40 to 50 meters. However, in some areas soil firm enough to construct pylons was not found until drilling to a depth of 60 to 70 meters. Menon commented that this unexpected depth has caused the need for longer pylons, which have been found in Turkey. Delays in completion of construction on time will hinge on whether these pylons will arrive on time. The only other difficulty encountered in construction has been the constant need for Argon gas and the lack of a reliable shipping agent for the gas. ENOC's solution to this problem is to create an Argon gas plant on site during construction, which would subsequently be dismantled when the new port comes on line.

U.S. NAVY AS CUSTOMER

3. (C) Menon told Ambassador that a visit in October by a Defense Logistics Agency (DLA) and Defense Energy Support Center (DESC) team evaluated progress on construction of the Phase I oil terminal at Doraleh, and specifically the four tanks to be leased by DESC for the U.S. Navy. The team also made a final needs assessment for the contract. Menon said that the team indicated there might be a requirement for an additional four oil tanks, making a total of eight. Another topic discussed with the DLA/DESC team was the desired completion date. According to Menon, DESC would like to start the contract two months early (April, 2005 vice a contract date of June, 2005) in order to facilitate a move from facilities in Yemen at the expiration of the Yemeni facility's contract. Menon commented that ENOC would not commit to an early completion date but, still, is striving to meet that date.

GETTING LOCAL OIL COMPANY BUY-IN

4. (SBU) The ongoing issue of oil companies Exxon-Mobil, Shell and Total being required by the government of Djibouti to move their operations to Doraleh was again raised as a topic of discussion. Menon informed Ambassador that the following day, November 9, the Director General of Djibouti's Exxon-Mobil office was to visit the port. Menon did not indicate whether the intent of the visit was to enter into any discussion about leasing tanks or merely to get a closer look. However, he stated that ENOC was not pressuring companies to move because ENOC believes it would be beneficial for Djibouti to have an alternative source for oil. In Menon's opinion, the government's demand is based on environmental reasons since tanks at the current port are extremely old and do not have the leak prevention mechanisms

newer tanks have. At Doraleh, he said, the tanks are being built with a system to monitor and detect any leaks that might happen. Menon said this was unlikely because the tanks are constructed with computerized equipment that ensure even and thorough welding, and with a membrane beneath it to prevent leaks entering the ground soil.

ETHIOPIA'S VESTED INTEREST

15. (SBU) Rumors of Ethiopian involvement in ownership of Doraleh, or in the least contracting their own tanks at Doraleh, are now leaning towards the latter. Menon told Ambassador that a delegation from Ethiopia's petroleum and trade ministries was to visit for three days later in the week. Discussions have revealed that the Ethiopian government is serious, according to Menon, but the question of how long Ethiopia will take to commit remains.

16. (U) Whether Ethiopia contracts tanks for its proprietary use or not, the road connecting Doraleh to the main truck route is an important factor. Doraleh's construction includes rebuilding of the road to the city and creation of a connecting road to the existing truck route. Construction started only recently but has been going smoothly and quickly. Installation of fiber optics underground for utilities wiring will also be part of the road construction project. Menon was fully confident the roads would be completed on time and would not be an issue.

PERSONNEL RESOURCES AND DJIBOUTI

17. (U) In terms of employment, Doraleh is still bringing in a large number of expatriate workers. The total number is now around 620 persons, 30 percent of whom are Djiboutians. Most of these Djiboutians are hired on a weekly basis in order to spread the few jobs available over a large number of people over time. Menon said for the actual operation of the port, there will be a transition to permanent employees instead of rotating weekly workers. Some will ultimately be hired from the rosters of Exxon-Mobil, Shell and Total local operations. Other Djiboutians who fit the education requirements will be trained for six months to one year in Dubai and then begin their jobs at Doraleh. Menon expected that there would 20 to 30 Djiboutians trained in the first wave.

COMMENT

18. (C) The remaining planned phases of Doraleh port have yet to begin construction, although Menon indicated that work would commence in the next few months. Phase 2, the container terminal, still is expected to be operational in September 2005. A Phase 3 project remains in planning stages and a completion date has not been determined. Moreover, ENOC plans now to reclaim part of the area attached to the causeway for use as additional port space. Both the port's principal local backer, businessman Abdurrahman Boreh, and the Government of Djibouti seriously view the Doraleh project as Djibouti's gateway toward becoming a Dubai in the Horn of Africa region. Support from ENOC in this project -- and the commitment of the U.S. Navy -- have helped galvanize their sentiments. End comment.

RAGSDALE